

ADDRESSES
of the
President
and
General Manager

Delivered at the
ANNUAL MEETING
January 26th, 1933

NORTH AMERICAN LIFE
ASSURANCE COMPANY

HEAD OFFICE - TORONTO, CANADA



The Address of Mr. Thomas Bradshaw, President of North
American Life Assurance Company, delivered at the
Annual General Meeting held January 26, 1933

I CANNOT emphasize too strongly what has been said about the stable position which Life Assurance as an institution, and our own Company in particular, occupy. Anxiety in regard to the future has brought home to the people of almost every country the great advantages of Life Assurance. It has proven the sheet anchor of so many families and individuals, and the mainstay of so many business men and business enterprises, that it has held first place as a steadying influence against the misfortunes attendant upon unprecedented conditions such as we have been and are still experiencing. It is a source of pride and satisfaction, not only to those connected with Life Assurance, but to all thoughtful people, that the Life Companies of this country have presented an unbroken front.

It is my intention this morning to comment on a few of our many current problems and to review some of the opinions, suggested remedies, and steps toward solution, that have recently been put forth.

WAR DEBTS

The subject of war debts has been dealt with so frequently that it may be thought to have become almost threadbare. To-day, however, it is the most internationally discussed problem.

During hostilities and in the following period of reconstruction, there occurred great unnatural movements of wealth, in the form of goods and services, from one country to another. As a result of the

war, some nations became richer and many poorer. Some which were creditor nations became debtor nations, while others which were debtor nations became creditor nations. For example, England was the greatest creditor nation, France came second, Germany third. The war destroyed this standing. The United States almost overnight turned from a debtor nation to a creditor nation, France for a short time became a debtor nation, whilst England's creditor strength became greatly diminished, and Germany was practically bankrupted.

There arose from this situation the necessity for an equally unnatural return flow of goods, which threatened to compete directly with the productive industries of the creditor nations. The result was the erection of various artificial barriers, which tended to restrict all war debt payments to gold and to the transfer of obligations, through loans, from governmental creditors to private ones. These two methods, of themselves, were not inexhaustible and eventually they broke down. We are now faced with the necessity of finding other acceptable means of payment.

Perhaps the greatest obstacle to settlement heretofore has been a failure of creditor and debtor nations to appreciate fully one another's problems. One thing is sure, that prosperity cannot return to one nation alone while all others are languishing, and perhaps the greatest immediate hope lies in the announced conference on war debts which is shortly to

take place in Washington between the highest statesmen in Great Britain and the United States.

The problem of *Tariffs* has occupied considerable attention. The present almost world wide system of high and very often prohibitive tariffs has resulted from the war and the war debt situation, falling away of prices, dumping, national selfishness, drying up of international lending, and the relative changes between nations in standards of living and productive capacity.

It has been pointed out that during the post war boom, foreign trade expanded to unprecedented heights; when depression set in it suffered very greatly. To stem the tide, governments resorted to the popular plan of increasing tariffs, hoping thereby to close the door to cheap products which appeared to threaten established industries. As conditions became worse, and chiefly with the aim of restoring or increasing revenues, balancing budgets, or stopping the outflow of gold and preserving currency, additional duties were added. Then, finding additional and more effective measures were necessary, import quotas, licensing of imports and actual embargoes on foreign goods were put into effect. Some countries became suspicious and resentful. Trade was restricted so that home industries might be protected against foreign goods, and national finance saved. The process went still further and foreign exchange was restricted and controlled. International credits were frozen, international business obligations blocked, and exports further lessened. These measures, taken in the hope that relief would follow, merely clogged the flow of trade and then further restrictions were imposed.

The extent to which international trade has declined is shown by the fact that the value of world commerce in 1931 was 40% less than the average for 1925 to 1929, and the volume 26% less. In 1932, the decline has been much greater. During

approximately the last two years, United States exports fell in value 64%, Japan 53%, Germany 49%, United Kingdom 47%, Canada 44%.

It is evident that a modification in general tariff systems and restrictions to trade is necessary to a restoration of prosperity. Realizing that every nation now needs access to world markets, representatives at the coming World Economic Conference will no doubt co-operate in an effort to find a solution to this problem.

TRANSPORTATION

In connection with this much discussed subject, we are at once confronted by a problem which has been the plaything of our legislators for years, which to-day is unsolved and which is gradually draining the country's life blood. It concerns the largest investment in any one single Canadian undertaking, viz., over 3 billions. It is the railway problem. The optimism which caused the tremendous railway building program in Canada made two great miscalculations. First, other forms of transportation have arisen and have proven more efficient in handling part of the work previously done by the railways. Second, the population of Canada has not increased as rapidly as was anticipated. To-day the 10 millions of people are served by 42,308 miles of railway transportation, or one mile for each 236 people—less people per mile than in any other country.

Insofar as certain phases of transportation have been improved through the use of other carriers, the country is ultimately that much better off. There is still, however, a very large part of the transportation burden which, so far as can now be seen, can be handled by no better agent than the railways.

One great railway authority asserts that we have created or inherited a railway system which is unscientific, unwieldy, unnecessary and unsupportable by our limited population—one which the nation cannot afford even in normal times.

The Dominion has already pledged its credit as guarantor of bonds to the extent of over 700 millions in respect to its own railway, and in addition has guaranteed the interest on a further 216 millions. Including these charges, our National Railway is operating at a yearly loss of about 85 millions, the other railway has been compelled to forego dividends on its capital, perhaps the greatest blow in recent times to Dominion prestige in Europe and the United States, where its securities were largely held and highly regarded, and every week both systems are still reporting lower gross and net earnings.

While it is admitted that a great deal can be done to operate our railways more economically, it would seem that the best permanent solution lies in co-ordinating the two great railway systems, to handle the services for which they are best fitted as efficiently as possible. We must also take steps to see that the requirements for these services are increased to such an extent that the railways may operate to capacity.

GOVERNMENTAL AND MUNICIPAL EXPENDITURES

Since the war, we have been passing through a period of changing governmental functions. Government intervention in production, industry, trade and finance has become more and more pronounced. Vast social projects have been instituted. Extensive government departments have been formed to collect, analyze and distribute information of all kinds. Duplication of effort by different governmental bodies has increased. These factors have been conducive to a high level of taxation, which has been further aggravated by the burden of obligations incurred during the war. Post war increases in taxable values tended to obscure the burden of rapidly mounting government and municipal extravagance, but the recent severe decline in taxpaying ability has made a scaling down of government and municipal expenditures absolutely essential.

The increasing burden of taxation is evident from a consideration of the combined per capita tax of our three main taxing bodies, the Dominion, Provincial and Municipal Governments. In 1896 this per capita tax was \$10.94; in 1906 it had increased to \$15.98; in 1914 it had advanced to \$31.20; by 1922 it had jumped to \$66.10, while in 1930 it reached \$77.08. Thus in the last 16 years there has been an increase of no less than 147%.

The question has been seriously raised whether this country can afford to maintain as many as nine separate Provincial Governments, together with the Federal Government, each with an elaborate organization. In the United States, where it is generally recognized that government expenditures have been excessive, the cost for Federal and State Government amounts to \$42 per capita, whereas the corresponding figure for Canada is \$53. It should be an unalterable maxim that Governmental expenditure must be kept within Governmental tax revenue. We must discard the mad theory that posterity will pay for present extravagances.

BASIC COMMODITIES

Canada is a country whose major activities are closely connected with the production and export of basic commodities. It is not surprising, therefore, that declines in world price levels should have a powerful effect on our national economic system. Newsprint and wood pulp together rank first, and wheat second among the country's exports. The decline in export value of newsprint and wood pulp for the year just past was approximately 29 million or 25%. The decline in the export value of wheat was approximately 11 million dollars or 14%. In both cases, there was a substantial reduction in export price. They have both been affected adversely by increased external production and diminished consumption. Insofar as such is the case, we are faced with the alternative of curtailing our production for export or of retaining our position

in world markets through improved methods of production, or perhaps temporarily through some means of assistance.

It is of interest to record that Canada's newsprint production is about 92% greater than that of the United States, which a few years ago was the world's chief producer. Canada now exports newsprint to over 30 countries, exceeding in the aggregate the exports of the rest of the world combined. One of our outstanding industrialists and bankers recently remarked, in respect to the newsprint industry, that a continuance of price cutting methods is not in the interests of Canadian people, particularly workers in woods and mills, and that if strong efforts now being made to secure co-operation are not successful, Provincial Governments must take steps to conserve natural resources and prevent collapse of this vitally important industry.

GOLD PRODUCTION

Another subject of increasing interest is gold mining. The encouragement which our Governments are giving the industry is generally believed to be justified under present conditions. It will undoubtedly assist in attracting many millions of new capital to the exploration of Canada's extensive mining fields.

Canada is now the second largest gold producer in the world. The value of the gold produced in 1932 was approximately \$63,000,000, being an increase of over 7 millions or 13% over the previous year. Canada's share of the world production of 485 millions was also 13%. It is difficult to say to what extent this achievement is due to marginal production, made profitable by lowered costs and by Canada's monetary policy. However, the fact that there is an apparently inexhaustible demand for exported gold, even although a great part of the world is off the gold standard, puts our increased gold production in a very favourable light.

MORTGAGES

Both in Western and Eastern Provinces, considerable discussion has taken place in respect to the difficulties which the farmer in particular has experienced, in meeting not only his current debts but especially those related to his mortgage. This is one of the most acute problems created by the depression. It has been directly caused by the disproportionate decline in the prices of farm produce. The same problem, but perhaps in a lesser degree, confronts the urban mortgager, mainly because of reduced wages or, not infrequently, unemployment.

Some temporary relief of mortgage debt burden, by way of extension of time, does appear to be necessary in those cases in which inability to pay has been established. It has even been suggested by some, who it is feared have not given sufficient thought to the matter, that real property taxes should be reduced or suspended. This is a most dangerous principle, as it immediately tends to undermine the solvency of municipalities, which in turn would affect the financial status of the other higher governing bodies.

It must be borne in mind, however, in planning a solution to this problem, that every mortgagee, whether an individual or a financial corporation, has his own dollar obligations, so that any general process of mortgage adjustments would also entail a change in many other forms of fixed indebtedness. Moreover, it should not be overlooked that from time immemorial a first mortgage on real property has been regarded, by those having money to invest, as among the prime securities, and that any legislation lessening the merit of the security would immediately stop the flow of capital seeking employment in it, and at the same time destroy the high rank which it occupies as a trustee investment. Life Assurance Companies are vitally interested in a satisfactory solution to this problem, since changes in the position of their mortgages vitally affect the security of their policy contracts.

UNEMPLOYMENT

Perhaps the most distressing problem created by a depression is unemployment. Untold misery, weakening of morale, and discontent follow in its wake. Various solutions have been proposed and attempted. Relief work, spreading of existing work, direct relief, unemployment insurance and barter of services among the unemployed rank foremost. It has been suggested that Governments and Municipalities should undertake expanded programs of public works and that substantial loans should be secured for this purpose, in order to find employment for those out of work. Purely from the standpoint of those in this class, it is most desirable that they should be engaged in productive work—their health and morale are both sustained. But from the standpoint of Governments and Municipalities, to put up buildings and construct bridges, highways, etc., not because they are required but simply to find work, is disastrous. The possibility of such undertakings becoming self-supporting has proved to be in most cases doubtful, and public bodies have been found unwilling to assume further obligations of upkeep, maintenance, or operation of whatever nature. At the present time Dominion, Provincial and Municipal bodies almost without exception are sagging under the weight of huge public debt and excessively high levels of taxes, while the base upon which taxes are being levied by assessment of real property, individual wealth, or income, is gradually shrinking. The estimated cost toward the close of 1932 of Municipal and Provincial public works being carried out under unemployment relief schemes of the Dominion was 74 millions.

Some have thought that so called unemployment or social insurance is the answer to the question. It may be, but before any scheme or plan is adopted, it requires much clear thinking and close study, as well as a careful examination of the plans put into effect in Great Britain

and several of the European Countries. While practically all have proved defective and resulted in financial distress, it is not unlikely that further scientific and thorough investigation of this subject may reveal the way out.

Joseph's plan is one that has been proven successful, and many thousands since have followed it in different degrees. It may be that creating machinery to build up reserves in good years, and making them available in bad years, will be the next step in treating the problem of involuntary idleness.

EXCHANGE

The problem of monetary exchange, resulting from failure to settle international balances in gold, has been discussed by a number of bankers. One of them has remarked that we hardly appreciate the extraordinary complexity of the world—now that it has yearly been drawn closer and closer together—or the delicacy of the international credit structure. In normal times and after many years of peace, the world's monetary and price system, and the current debit and credit relationship between the different nations, acquired certain stability which enabled the mass of individuals and institutions engaged in business to work, quite unconscious so to speak of the honeycomb, which has been provided for them by this stable structure. It is this comb which has been smashed since 1912. The problem has had many peculiar effects in Canada. Normally when our money becomes discounted, there is a tendency for all internal prices to rise and charges on external debts to increase. The latter change has occurred, but prices, on the other hand, have been influenced by the sharp decline in world prices of export commodities and by the artificial effect on the internal prices of imports caused by tariff changes. With stable world prices, exchange is not a major problem, but in a period of change such as the present it may become important to en-

deavour to stabilize exchange, external debt charges, and to some extent internal prices, by a judicious use of tariffs and other expedients.

INFLATION

The theory of inflation has received a great deal of attention, and added prominence and interest are attached to it as a result of the recent sound and sane views expressed by Premier Bennett. Its advocates have suggested that it would raise price levels and restore debtors and creditors to their former positions. They have said little, however, of the effect on external debt, which would become unbearable, nor yet about uncontrollable commodity speculation, and the dislocation of import and export trade. Furthermore, inflation in the sense that it has been proposed entails the issuance by the Government of fiat money, which apparently can only be put into circulation by its use in payment of Governmental expenditures. This would almost inevitably lead to uncontrolled state expenditure, which combined with increased prices would cause a progressively greater issue of unsecured currency. What could be expected as a result except monetary chaos?

It has been pointed out that the theory that a country strengthens its competitive position by depreciating its money, is deceptive and utterly unsound. One country adopting this course may gain a temporary advantage in export trade by offering goods at the same nominal price in cheaper money, but once the competition is entered upon there is no stopping place short of the zero point for all. It is the most uncontrollable, demoralizing and perilous competition that can be imagined.

While an increase in general price levels is admittedly desirable, to attempt to accomplish this by artificial measures of public finance, or modification of our banking system, would be a most dangerous experiment for Canada, as past experience has proven in other countries where it

has been tried. The aftermath would be terrible. The country's supply of currency and potential credit is abundant to meet the demands put upon it by any sound increase in price levels.

IMPERIAL CONFERENCE AND WORLD ECONOMIC CONFERENCE

This subject has been touched upon recently in several speeches, stressing mainly the importance of securing a betterment in international affairs by means of compromise and co-operation. That nations, like individuals, are naturally selfish, but that a spirit of give and take should prevail to secure a reasonable measure of success has been the key-note of the remarks made.

The President of one of our more important banks has stated that it is essential to the maintenance of civilization itself that the coming World Economic Conference shall be a success, and further that there should be a concerted demand from people of all nations to establish agreements that will dispel fear, restore confidence, increase internal and external trade, and above all raise prices to a point where there shall be a more normal relationship between burden of debt and earning capacity.

The intense economic struggle between nations (resulting from war debts, steadily mounting tariffs and other factors) has brought out one fact with startling clarity. It is this. The various nations must co-operate to facilitate the mutually advantageous exchange of goods which each is best fitted to produce.

In the case of the British Empire, a step in this direction was taken at the Ottawa Imperial Conference. Notwithstanding the interrelation of the Empire with other nations, the partial failure of Empire units to see that beneficial ultimate results could be obtained only through substantial immediate sacrifices, and the disadvantages arising from differing currency exchange values the Conference on the whole

achieved a gratifying degree of success. It has unquestionably broadened Empire markets and planted the seeds of mature deliberation, which will bear fruit as time proceeds and at future conferences.

In particular it is to be hoped that at the forthcoming World Economic Conference, intense nationalism, bargaining, and multilateral treaties will all take second place to a co-operative spirit whereby each nation realizes that it is to its own greatest advantage to devote itself to those activities for which it is best fitted, and in that respect to become the servant of other countries, receiving in return the goods and services supplied more efficiently by outsiders than by internal means.

I am sure that everyone has been very greatly steadied by words of hope which have been expressed in remarks made at the various annual meetings of our great financial institutions. These concerns know the pulse of the body politic from Coast to Coast and are therefore best able to judge. There is an absence of prophecy which is to be commended, for it is impossible at this time to see much light and therefore to speak with any degree of accuracy as to what the future has in store. Nevertheless, there is the outstanding fact that Canada, her people and her great institutions have weathered the storm thus far in a manner which has won the admiration of those at home and abroad. We are being directed by men, in our various Governments, who are both unselfish and unsparing in their efforts to guide the ship of state. We should en-

deavour to co-operate with them, rather than to criticise, knowing that their burdens in many instances are overwhelming. We are in a more seasoned position to withstand further shocks, if such have to be encountered. The greatest danger lies in taking false short cuts, in the hope that they will restore prosperity quickly. These have been tried and always have resulted in deeper and greater disaster. Our magnificent natural resources have not been depleted but are still with us with all their potential wealth and possibilities. Our people, urban and rural, although struggling in many instances with unparalleled difficulties, have exhibited a marvellous spirit. Therefore, it may be confidently anticipated that when the opportune time does arrive, Canada, profiting no doubt by her chastening experiences, will be among the first nations to make a forward step. Her course will be more sound and more sane than in the past; along lines which will give hope, satisfaction and courage to every worker, especially to those engaged in industry and agriculture. We as Canadians cannot help but feel that, if we play the game, if we put into it that "tireless will that never hesitates nor halts until the goal is won," the future of our country is destined to be even greater and better than our forefathers anticipated.

Our part to-day lies in the unshirking fulfilment of our individual responsibilities. We can shorten the task of reconstruction by doing our utmost along lines to create a spirit of loyal co-operation which will ultimately solve individual and national problems.



The Address of Mr. D. E. Kilgour, General Manager and Director of North American Life Assurance Company, delivered at the Annual General Meeting held January 26, 1933

It is a fortunate convention that assigns to the President of a financial institution the business of covering in his annual address the wider field of general affairs and of allowing the General Manager to deal more specifically with the affairs of his own Company and of his own business. The task is made all the simpler when one considers that you have in your hand not only the financial statement with its array of figures, but the Directors' report which gives in an explanatory and comprehensive manner, an account of the year's operations. It is obviously unnecessary to repeat the figures that have been so clearly presented for your consideration and my remarks will be confined to a brief commentary on the salient points of the report and a general reference to the position and progress of Life Insurance during the year.

It has been well said that 1932 has been the most testing year in the history of Life Insurance. What do the results show? New business on the whole is down. Total business in force has actually receded. Assets including policy loans have increased, but exclusive of policy loans, will probably be less than a year ago. Actual interest earned during the year is greater, although the interest rate is somewhat less. Premium receipts on the whole may be shown to be down. If we therefore judge progress from the point of view merely of the magnitude of figures, 1932 will be judged an unsuccessful year. On the other hand, we have to note that New Business in relation to the national income is far greater than ever before, that the Life Insurance Companies have met all their claims as they came due, have loaned huge sums to their policyholders, have been able to report creditable surplus earnings

and have established beyond peradventure, the soundness of the principle upon which Life Insurance as an institution has been founded. From this viewpoint the year must be considered successful, and the balance when struck is a favourable one.

In these days of uncertainty and unrest the superficial observer is liable to dwell on the present rather than to gain a proper perspective and to rationalize his viewpoint by a consideration of what has gone before.

"In 1873 the New York Stock Exchange closed for a week; 72 railway corporations were in default; business failures were epidemic; paper circulation increased three-quarters of a billion dollars and confidence almost completely vanished. In that year, 31 of the Life Insurance Companies in business to-day survived and met every obligation. In 1893 a panic of similar intensity occurred. In that year one hundred and seventy-five million dollars was paid out by Life Insurance Companies, when money had almost disappeared from circulation. In 1907, another panic year, four hundred and forty-five million dollars was paid out by the Life Insurance Companies; every obligation was met and not a single Life Insurance Company was disturbed in its operations. In the period which we have been passing through, where we have been experiencing a depression perhaps more prolonged in its severity than ever before, Life Insurance Companies have continued to meet all their obligations and paid out in the year 1931 the enormous total of two billion, six hundred million dollars."

May we not very well reflect on the reasons that Life Insurance throughout

all these depressions has stood the test and is to-day in as impregnable a position as ever in its history. Life Insurance is solvent and sound primarily because it is based on scientifically sound principles. It assures its safety by maintaining premiums and reserves the adequacy of which are known to be correct in theory, and which have been proven to be correct in practice. The Life Insurance business has been under management that has not only respected the basic ideas upon which Life Insurance has been founded, but has had a high regard for the principle of trusteeship. While it is true that Life Insurance Companies, like other financial institutions, have suffered as a result of the recession in general business, the deflation in values, and the more or less demoralized thinking that has accentuated our present difficulties, the actual and relative position of Life Insurance remains the same as during the nineteen major depressions which it has experienced.

There has also perhaps never been a period when Life Insurance has so proven itself in so far as direct beneficial results are concerned. The meeting of claims promptly, involving the payment of tremendous sums of money; the loaning to policyholders, however regretful the necessity, of unprecedented sums, have done more than anything else to prevent a more serious situation occurring and to maintain confidence among the policyholders and the public.

During the past year our own Company has maintained its position in the advance guard of Canadian Life Insurance Companies. As is the case of every company, we too have experienced certain recessions, but on the whole it may be said that by way of comparison we have stood up extremely well in all respects. Particular attention should be called to the conservative attitude the Company has taken in respect to its investments. While we have suffered losses, as other institutions have, and while these losses must inevitably result in a temporary reduction

in earning power, we have adopted the conservative practice of "writing down" securities where we thought it wise to do so, and in addition of building up substantial investment reserves.

A general reduction in dividend payments by the various companies has occurred during the past year or two, and further reductions are being currently reported. A company's dividend policy must after all take into account not only its normal operating surplus, but the need to provide from current earnings as well as accumulated surplus funds, the losses from investments that are incident to the present period. It is gratifying to be able to report that in addition to the amounts absolutely and contingently set aside, we have a very substantial free surplus, that total surplus funds exceed \$6,000,000, and further that our dividends to policyholders have continued to be highly satisfactory.

In passing it may be noted that Life Insurance has been called upon to meet an additional burden in the payment of increased taxes. Whatever may be said in extenuation of the practice of making this levy on the funds of Life Insurance companies at the present time, our policyholders should become alive to the fact that the taxation of Life Insurance premiums is not only unscientific, but in every respect subversive of the best interests of the State.

The policy reserves have as always been calculated upon a conservative basis. It is feared, however, that the real purpose of policy reserves is not generally understood. About the time this Company was started and for a number of years after, there was a very heated controversy between the so-called assessment societies and the old-line or reserve companies. Mr. McCabe, the first manager of the North American Life, was the leader in that discussion on behalf of the regular Life Insurance Companies. Fortunately for insurance, the principle of reserves became very thoroughly understood and established. The fact

that Life Insurance Companies have built up huge assets and have large premium incomes has no doubt contributed to the prevailing view point of our legislatures that Life Insurance Companies can afford to pay taxes better than other institutions.

The sanctity of reserves is the very bedrock of Life Insurance. The reserves represent the amounts held by the companies which enable them to carry out their obligations. They are calculated with mathematical accuracy, and represent in the aggregate the total of the individual amounts set up for each of the company's individual policy contracts. The purely assessment organizations that once flourished have long since ceased to exist, but it is important to remind the public that reserves in themselves do not constitute surplus funds which are available for distribution as profits or for purposes of taxation, but are amounts held in trust for payment to beneficiaries and living policyholders under maturing contracts. While a Life Insurance Company could not, of course, maintain its over-head and other expenses on the basis of a receding business, it is nevertheless true that any Life Insurance Company, if it saw fit to cease business, could with an appropriate curtailment in expenses, meet its obligations in full under continuing contracts.

During the past few years, there has been a controversy as to the respective rights of the Provinces and the Dominion in the matter of jurisdiction pertaining to insurance. From the point of view of the Life Companies, this is extremely unfortunate, and the public whom the Companies represent have been in the main the sufferers. The Life Companies as such have never made this an issue, but they are nevertheless vitally concerned in a satisfactory settlement of the matter. It is perhaps the irony of the situation that whereas at the present time the Provinces tax Life Insurance premiums, and the Dominion does not, it is held that the

Provinces have not that right, and whereas the Dominion has exercised the supervising power, it is claimed that the power constitutionally, in part at least, belongs to the Provinces. It is not our purpose to take sides in this controversy. In these days, however, when Governments should set an example in economy and efficiency, it would surely be folly to allow a dispute concerning jurisdiction to blind them to the opportunity to settle the question amicably and with due regard to maximum efficiency and lowest administration costs.

The supervision of the Life Insurance business up to the present time has been in the hands of the Dominion Insurance Department. Each year the examiners of the Department spend very considerable time in the offices of the Life Companies. They examine the records, inspect the securities, and periodically make a check valuation of the Companies' policy reserves. The members of the Department are able and independent men with long training and experience and under the guidance and supervision of the superintendent of insurance they perform their work efficiently and faithfully.

We have endeavoured throughout the present period to practice sane optimism. We believe in our country and its future. We have shown our faith by opening up additional branches and by adding materially to our field force. We believe that in normal times we would have been able to report a material increase in business, and we are confident that when better times come, North American Life will make the progress that we have a right to expect.

In reporting to the policyholders, I wish to make the observation that we consider that we have been greatly helped by the fact that our Company is a purely mutual one, where all profits enure to policyholders and where the interest of the policyholders, the Company and the management are identical.